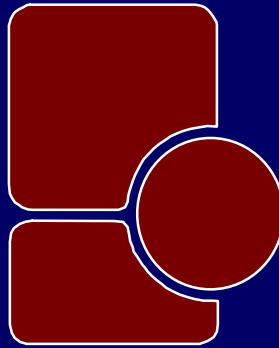


**Joint Legislative Audit and Review Commission  
of the Virginia General Assembly**



**Review of Elementary and  
Secondary School Funding:  
Interim Status Report**

**Staff Briefing  
December 11, 2000**

# JLARC Staff for the Study

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- Bob Rotz, Division Chief
- Kimberly Maluski
- Ashley Colvin
- Dr. Greg Rest, Staff Methodologist

# Presentation Outline

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- ☒ **Background and Study Issues**
- ☐ **Overview of Research Activities**
- ☐ **Summary of Regional Input Sessions**
- ☐ **School Division Survey**
- ☐ **Project Schedule**

# Background: Virginia's SOQ

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3

- Virginia's Standards of Quality (SOQ) provide an important foundation for the State's role in funding elementary and secondary education.
- The SOQ are minimum requirements for school divisions to provide a program of high quality for public elementary and secondary education.

# **General Assembly's Constitutional Responsibilities Regarding Public Schools**

4

- **Under the Constitution, the General Assembly is given the responsibility to:**
  - “provide for a system of free public elementary and secondary schools for all children” and “seek to ensure that an educational program of high quality is established and continually maintained”
  - “determine the manner in which funds are to be provided for the cost of maintaining an educational program meeting the prescribed Standards of Quality”
  - “provide for the apportionment of the cost of such program between the Commonwealth and the local units of government...”
- **Thus, the General Assembly has a clear reason for continual concern as to the adequacy and appropriateness of funding for elementary and secondary education.**

# Board of Education's Constitutional Responsibility to Prescribe the SOQ

5

- Under the Constitution, the “Standards of Quality for the several school divisions shall be determined and prescribed from time to time by the Board of Education, subject only to revision by the General Assembly”
- Report of the Commission on the Constitutional Revision (January, 1969):
  - “clearly unworkable to enshrine a standard in the Constitution”
  - “language of high quality is intended to convey the idea of a progressively higher statewide standard, achievable under present conditions, but to be advanced as circumstances and resources permit”
  - “Therefore, standards of quality are to be established by the State Board of Education, the governmental agency most familiar with the needs of the public school system, subject to revision only by the General Assembly, which because of its fiscal responsibility for meeting the standards, must have ultimate control of them.”

# **Prior JLARC Review in the 1980s Focused on SOQ Costs and Funding**

6

- **JLARC assessed SOQ costs in 1985 and SOQ distribution (funding) issues in 1986-87:**
  - **instructional positions to be determined by the standards**
  - **captured prevailing salary levels and support costs**
  - **more accounts distributed based on locality ability to pay.**
- **Study focused on estimating and funding costs associated with the existing SOQ**
  - **scope of review did not include the adequacy and appropriateness of the standards**
  - **scope of review did not include local operating expenditures for services beyond the SOQ and did not include capital costs.**

# State Supreme Court Upheld Constitutionality of Virginia's Funding System in 1994

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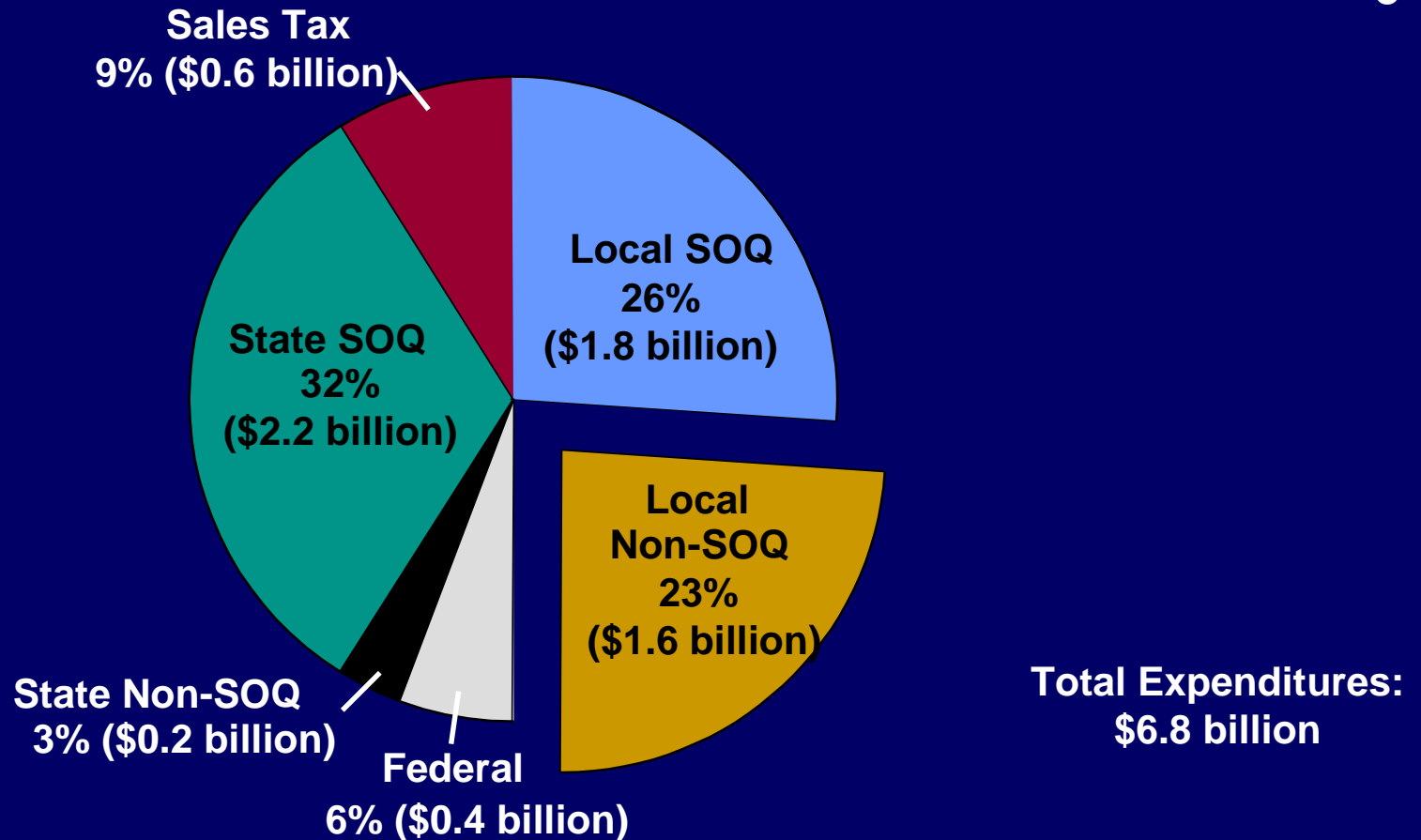
7

- Numerous states have experienced challenges to their systems for funding elementary and secondary education, and courts have ordered changes in state funding systems.
- In 1994, the Virginia Supreme Court upheld the State's SOQ funding system (the State's approach was challenged on education disparity grounds).
- However, concerns have persisted about the adequacy of either the State's standards or the costs that are calculated to meet the standards.



# Locality Discretionary Expenditures Accounted for about 23 Percent of Total Operating Costs in FY 1998

8



Total expenditures for all operations were about \$6.8 billion. (In addition, expenditures for capital outlay and debt service were about \$1.1 billion.) Total local expenditures are based on the statewide total in Table 15 of the 1997-98 Superintendent's Annual Report for Virginia.

# Broad Study Issues

9

- Is the State correctly implementing the SOQ cost methodology and fully funding SOQ costs? Are all localities fully funding their share of SOQ costs?
- Are there improvements or enhancements to the SOQ methodology that appear appropriate?
- Are there “funding gaps” for State-mandated or sponsored programs?
- To what extent is funding distributed based on local ability to pay?

# **Broad Study Issues**

## **(continued)**

10

- **For what specific practices do localities make expenditures that exceed recognized SOQ costs? How widespread are these practices? Is the extent to which the practices are used related to local ability to pay? How much is spent for these practices? (The issue includes capital outlay and debt service costs.)**
- **What factors should be considered in determining the degree of State support that may be appropriate for local practices which exceed the SOQ?**
- **If the General Assembly wishes to enhance the level of State support for elementary and secondary education by funding certain practices that exceed the current SOQ, what options are available and what are the associated costs?**

# Study Issues Specific to the Use of Technology

11

- What are the State's requirements that relate to the provision and use of technology in schools?
- Where are technology expenditures of various types being reported for the Annual School Report?
- To what extent are technology-related expenditures built into the SOQ cost calculations?
- What are the major factors that explain technology expenditure levels by some school divisions that go beyond prevailing cost levels? What benefits are offered by these higher expenditures?
- Does the State currently fund its share of a full, prevailing technology cost? What is the role of the State's technology supplement? Should the State consider an enhanced funding role?

# **Topic Selection Subcommittee Interest in Teacher Shortage and Local Ability to Pay Issues**

12

- JLARC topic selection subcommittee expressed a specific interest in teacher shortage and local ability to pay issues.
- The planned study of elementary and secondary school funding will address these issues:
  - the teacher shortage issue focuses on recent, confirmable impacts of shortages on educational expenditure levels
  - the local ability to pay issue will address whether any adjustments are needed to the existing composite index, whether other measures of ability to pay should be considered, and the extent to which local school division educational practices and expenditures currently show a relationship to local ability to pay.

# Presentation Outline

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- ☐ Background and Study Issues
- ☒ Overview of Research Activities
- ☐ Summary of Regional Input Sessions
- ☐ School Division Survey
- ☐ Project Schedule

# Research Activities

14

- **Assessment of SOQ model and calculations**
- **Forums to obtain public input on study issues**
  - **eight regions**
  - **two meetings in each region (a meeting with Superintendents and Finance Officers, and a public meeting)**
- **Analysis of data reported to DOE (especially the FY 2000 Annual School Report data), and analysis of the data collected by JLARC staff through a survey of the school divisions**
- **Survey of added expenditures from locality budgets**
- **Assessment of advantages and disadvantages of greater State participation in various cost categories**
- **Development of options for the General Assembly to consider**

# Presentation Outline

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# Summary of Input Session Comments

16

- Session participants considered a number of potential reasons for local expenditures in education exceeding the required local match.
  - The standards may not provide for a minimum program of high quality education today.
  - Even if the Standards adequately represent a minimum program of high quality education, localities may aspire to provide services that go beyond that foundation.
  - The SOQ funding calculation may not adequately address factors beyond local control that elevate locality-specific costs beyond the prevailing costs used in the calculation.
  - There may be local inefficiencies in the educational programs.
- Session participants expressed the belief that the primary issue with State educational funding is that the standards themselves are not adequate for the provision of a high quality education.

# Summary of Input Session Comments (continued)

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17

- While there was some variation across the State in the concerns participants had with the Standards of Quality, six major issues were consistently highlighted by the session participants in each of the eight regions:
  - SOQ Recognized Staffing
  - Salaries for Teachers (and other personnel)
  - Technology Needs
  - Special Education Costs
  - Debt Service and Capital Costs
  - Local Ability-to-Pay

# **Session Participants Voiced Concern About the Adequacy of SOQ Staffing Levels**

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18

- **Participants emphasized that the pupil-teacher ratios upon which SOQ funding is based are not adequate based on research that has shown student achievement gains with smaller class sizes.**
- **Participants indicated that SOQ funding does not adequately address the use of resource teachers (such as art, music, physical education) in elementary schools.**
- **Participants argued that SOQ funding does not adequately address the need for additional course offerings, and therefore teachers, in secondary school.**
- **Participants indicated that the SOQ does not adequately represent the need for assistant principals, guidance counselors, reading specialists, safety officers, school nurses, and instructional aides.**

# **Session Participants Voiced Concern About the Adequacy of Teacher Salaries**

19

- Participants emphasized that Virginia, and the nation, are facing a teacher shortage which will intensify over the next few years (especially in the areas of math, science, and special education). Participants indicated that the salary levels recognized in the SOQ are a major reason for the loss of both new and experienced teachers to other states, particularly North Carolina and Maryland.
- Participants indicated that there is intense competition among the school divisions within the State to recruit and retain teachers, and salary has become the major factor that prospective teachers focus upon when making their employment decisions.
- Some participants suggested that SOQ funding should be based on the national average teacher salary.
- Some participants suggested that the State should set either a required minimum salary or a statewide defined salary scale which localities could then choose to supplement.
- Some participants suggested that the State provide more significant funding for scholarship or loan forgiveness programs for teachers that stay in Virginia.

# Session Participants Voiced Concern About the Adequacy of Special Education Funding

20

- Participants indicated that special education staffing ratios funded through the Standards have not kept pace with new new federal requirements and decisions from courts of law. These requirements, participants said, have forced school divisions to provide more intensive services than prescribed in the Standards, thus increasing local expenditures, while State funding has remained more constant on a per-pupil basis.
- Participants emphasized that a few students with severe disabilities can increase local costs tremendously, while these increased expenditures may be lost in the calculation of prevailing special education costs statewide.

# **Session Participants Voiced Concern About the Adequacy of Technology Funding**

21

- Session participants indicated their belief that technology in the schools provides a significant educational tool.
- Session participants have generally been appreciative of the State funding that has been provided to school division for hardware and software purchases. However, participants voiced concern about the State funding in two areas:
  - State technology funding has not been adequate nor consistent to meet the needs of the school divisions.
  - There has been no State funding for the technology personnel required to operate and maintain the equipment.
- Participants indicated a desire to build technology funding into the SOQ funding calculation, including both equipment (hardware/software) and technology personnel costs.

# **Session Participants Voiced Concern About the Debt Service and Capital Costs**

22

- Session participants discussed the strain on facility capacity attributable to factors such as growth, class size reduction, and additional course offerings, and the resulting use of trailers, or “learning cottages.”
- Session participants were generally appreciative of the recent State funding made available for capital and debt service costs, but stated that the amount of State funding available was a very small percentage of the costs associated with their current capital needs and debt service costs.
- In addition to new construction and renovation, participants indicated that facility maintenance was a significant unmet need, especially for localities with aging school buildings.

# Session Participants Voiced Concern About Local Ability to Pay

23

- While this topic was highlighted in each of the eight regions, there were very different levels of satisfaction with the Composite Index across the State and even within the regions. Comments on local ability to pay revolved around the following:
  - the ability-to-pay measure should include a factor related to increased educational costs for students with greater needs (for example, free/reduced lunch eligible students or English as a Second Language students).
  - the ability-to-pay measure should incorporate local tax effort, not just the tax capacity.
  - the use of income in the formula was criticized because localities are not able to tax income.



# Other Issues Raised During the Input Sessions

24

- alternative and remedial education costs
- SOL implementation costs:
  - remediation
  - summer programs
  - pupil transportation
  - assessment personnel
  - technology
- achieving performance levels expected for all students by the SOLs may require heightened expenditures now and in the future
- pupil transportation costs and a diminishing supply of bus drivers
- need for more staff development funding
- inadequate funding for higher than prevailing utility costs
- gifted education program costs
- pre-school funding for at-risk four year olds

# Presentation Outline

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25

- ☐ Background and Study Issues
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- ☐ Summary of Regional Input Sessions
- ☒ **School Division Survey**
- ☐ Project Schedule

# JLARC Staff Survey of School Divisions

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26

- Survey made available to school divisions on Monday, October 23.
- Survey consists of 15 sections, mostly pertaining to 1999-2000, because that is the most recent year for which Annual School Report data will be available.
- The survey was provided to a number of school division superintendents and finance officers for comments, as a pre-test of the instrument.
- The due date for the survey is December 7, 2000.

# Sections One and Two: Elementary and Secondary Classroom Instructional Positions

27

- **Overview:** These sections request elementary and secondary instructional FTE positions:
  - broken out between teachers and aides
  - broken out by purpose (for example, at the elementary level, distinctions are made between classroom teachers by grade taught, and resource teachers)
  - broken out by State and locally-funded FTE positions versus federally-funded positions
  - separate column on FTEs with a provisional license.
- **Main issue addressed:** Instructional staffing.
- **Main purpose:** To help compare locality FTE-offered positions against positions recognized by the SOQ.

# Section Three: Alternative Education

28

- **Overview:** The section requests data on alternative education placements and FTE positions. For the purposes of the question, locally-provided alternative education includes (1) arrangements for students who exhibit dangerous and/or disruptive behavior and thus no longer have access to the traditional program, and (2) arrangements for students who experience academic difficulty in regular education (the latter excludes special and vocational education).
- **Main issue addressed:** Instructional staffing.
- **Main purpose:** To examine the range in school division pupil-teacher ratios for each type of alternative education. The SOQ require that “educational alternatives” be provided, but do not provide any quantified ratios for these positions. Divisions indicate that class sizes are lower than for regular classroom instruction.

# Section Four: School Resource Officers

29

- **Overview:** Section requests data on school resource officer FTEs and funding, with a break-out between costs funded by:
  - the school division budget
  - funded by the local government, but as part of a non-school budget
  - funded by the State or federal government.
- **Main issue addressed:** Staffing costs.
- **Main purpose:** School divisions indicate that costs for these positions may not be captured in SOQ funding through the Annual School Report. For example, some localities may pay for the positions outside of the school budget.

# Section Five: School Health Personnel

30

- **Overview:** Section requests data on the use of consulting physicians, and school health FTE positions and salary broken-out by:
  - physical and occupational therapists, and speech-language pathologists
  - nurses and other personnel (with an indication of whether they are employed by the division or provided by the locality).
- **Main issue addressed:** Types of personnel employed and their associated staffing costs.
- **Main purpose:** To consider whether the various types of health personnel that are used are recognized through the ASR and SOQ cost calculations, and to compare locally-offered positions against those recognized by the SOQ.

# Section 6: Medically Fragile Students

31

- **Overview:** Section requests data on expenditures for assistive technology, as well as the number of medically fragile (MF) students, broken-out by:
  - the number of MF students who have an identified disability under federal law
  - the number of MF students who require their own nurse.
- **Main issue addressed:** Expenditures associated with medically fragile students.
- **Main purpose:** Divisions report additional expenditures associated with medically fragile students, in part resulting from federal law. These costs may not be recognized by the SOQ.



# Section 7: Special Education

32

- **Overview:** Section requests data on expenditures for legal services, assistive technology, and contracted services for special education, as well as instructional FTE positions broken-out for each disability by:
  - fully licensed and not fully licensed teachers
  - teachers and aides.
- **Main issue addressed:** Instructional staffing and special education-related expenditures.
- **Main purpose:** To help compare locality FTE-offered positions against positions recognized by the SOQ. Divisions report costs associated with federal and state regulations that may not be recognized by the SOQ.

## Section 8: Fringe Benefits

33

- **Overview:** This section asks whether various types of fringe benefits were extended to school division personnel in the 1999-2000 school year.
- **Main issue addressed:** Compensation of personnel.
- **Main purpose:** To help examine the differences in local expenditure levels that may be due to differences in fringe benefit practices. The Virginia Education Association collects similar data, but its most recently completed survey covers the 1998-99 school year.

# Section 9: Salary Increases

34

- **Overview:** This section requests the average percent salary increase adopted for several recent school years, including the current school year. In case differing amounts were offered, the data are requested broken out by position type. It also requests the effective date of pay increases.
- **Main issue addressed:** Compensation of personnel.
- **Main purpose:** To compare pay raise levels adopted by school divisions with the percentage increases provided in Appropriation Act. It is unclear whether the percentage increases offered by the State have kept pace with local pay raise practices. The issue will consider matters such as the timing of the pay increases as well.

# Section 10: Other Enhancements to Instructional Salary Levels

35

- **Overview:** This section seeks data on the extent to which expenditures have been for various salary enhancements, such as:
  - signing bonuses
  - educational loan repayments on behalf of teachers
  - performance-based incentive payments
  - “leadership compensation”.
- **Main issue addressed:** Compensation of personnel.
- **Main purpose:** To examine the magnitude of salary enhancements, including the potential use of incentives to recruit and retain personnel.

# Section 11: Staff Recruitment and Retention

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36

- **Overview:** Section asks various questions about matters such as the number of recent vacancies, applicants for positions, areas of hiring difficulty, new and senior teachers, and substitute teacher and bus driver hiring situations.
- **Main issue addressed:** Potential staffing shortages.
- **Main purpose:** To develop some indicators of the extent to which school divisions are experiencing difficulties in recruiting and retaining personnel.

## Section 12: Miscellaneous

37

- **Overview:** This section asks questions that did not form a part of a larger series of questions.
- **Main issues addressed:** Capital outlay (trailers and new facilities), the use of pooled purchases to make support purchases, bus replacement schedules, the use of the middle school designation and the grades included, and repayment periods for loans.
- **Main purpose:** To facilitate analyses of some special factors that may impact the costs reported on the Annual School Report or on other data sources.

# Section 13: Course Offerings and Maximum Class Sizes in 2000-2001

38

- **Overview:** This section requests data on:
  - the scheduling of classes (use of block periods, the number of periods used)
  - secondary school class offerings in the division
  - the five largest class sizes in the school division, broken out into some specific categories.
- **Main issue addressed:** Instructional staffing.
- **Main purpose:** This is one of the most critical sections of the survey. It will be used to help assess SOQ class size standards, the upper bounds of school division class size practices, and the adequacy of State calculations in determining SOQ-required positions.

# Section 14: Possible ASR Data Reporting Inconsistencies or Suggestions

39

- **Overview:** This section requests that school divisions identify areas covered by the ASR for which the directions may be unclear or for which data may be reported inconsistently.
- **Main issues addressed:** Consistency of ASR data elements.
- **Main purpose:** To alert JLARC staff to ASR expenditure or statistical data components for which the data reported across school divisions may not capture the same types of items due to definitional issues.



# Section 15: Additional Comments

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40

- **Overview:** Space is provided for comments that the school division might have about the issues raised in the survey.
- **Main issue addressed:** School division discretion.
- **Main purpose:** To provide an opportunity for an open-ended response to issues raised by the survey.

# Some Issues Will Primarily Be Addressed Using Other Data Sources

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41

- While this survey is the main data request that we will be making of school divisions, it is not the only source of data that will be used in the study.
- JLARC staff tried to avoid asking for information that can be obtained from other sources for:
  - the same year, and
  - at the same level of detail.
- Therefore, there are some issue areas, such as technology, pupil transportation, and capital outlay/debt service for which relatively few or no questions are asked on the school division survey.

# Technology Data

42

- As you are aware, DOE has recently requested that school divisions provide a supplemental schedule on technology expenditures and positions for the Annual School Report. These data will be provided to JLARC staff for this study.
- DOE has also collected data on internet connectivity.

# Debt Service and Capital Outlay Data

43

- JLARC staff survey questions 12 A and B ask about the number and square footage of trailers that were in use in 1999-2000.
- Question 12 F asks about the minimum, maximum, and typical debt repayment schedule for building and building addition purchases.
- Reasons why more capital outlay-related questions were not asked:
  - JLARC staff will be reviewing school-level facility data that was provided by the school divisions in 1998
  - debt service and capital outlay costs need to be included in the overall assessment, but, like ability-to-pay, it is less of a focal point than operating expenditures that exceed the SOQ
  - sufficient data will be available to consider prevailing costs, and some of the reasons for expenditure variations.

# Data on Local Ability to Pay

44

- JLARC staff survey of school divisions does not address local ability-to-pay issues.
- Reasons:
  - Data needed are locality tax base and revenue-driven. Data from the school divisions are not required for this purpose.
  - Some have argued for inclusion in the ability-to-pay measure the number of students qualifying for free and/or reduced price lunches. However, DOE collects these data.

# Presentation Outline

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- ☐ Background and Study Issues
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- ☒ Project Schedule

# Project Schedule

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- Survey of local school divisions
  - due date for return of survey December 7, 2000
  - data follow-up and cleaning Dec. 2000 to Feb. 2001
- Interim status report December 11, 2000
- Regional programs, local government surveys Dec. 2000 to Feb. 2001
- Annual School Report data:
  - receipt from DOE January 2001
  - data cleaning February 2001
- Data analysis, develop options and report March to August 2001
- Briefing August 2001